The University of Chicago

# PUBLIC PERSONNEL POLICIES AND THE DEPRESSION

A PART OF A DISSERTATION SUBMITTED TO THE FACULTY OF THE DIVISION OF THE SOCIAL SCIENCES IN CANDIDACY FOR THE DEGREE OF DOCTOR OF PHILOSOPHY

DEPARTMENT OF POLITICAL SCIENCE

1933

By

RAYMOND M. GALLAGHER

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# Public Personnel Problems and the Depression

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THE current discussions regarding government and the economic depression have been devoted largely to the necessity of retrenchment and its proper incidence or to the dangers involved in indiscriminate curtailment of public services and expenditures. Save in such fields as tax collection and public welfare administration, which are particularly sensitive to economic changes, little thought has been centered upon the modification of existing administrative methods and objectives which new social conditions appear to dictate. Administrative policies necessarily change slowly within the confines of law and custom and it is not suggested that sound practices should be abandoned or modified with every fluctuation in economic trends. Since, however, there appear no substantial reasons for believing that present conditions will speedily improve, but that government must face, for some years at least, a situation in which unemployment, social distress, lowered standards and demands for public economy will challenge increasing consideration, it seems opportune that methods evolved in more expansive times should be reexamined, recent modifications noted, and an attempt made to chart future administrative policy.

By 1930 the movement for reform of the civil service was a half century old. Its progress, disappointing to its enthusiasts, was not discouraging. In the federal government, nine states, a few counties and practically all the larger cities the merit system was established by law for the bulk of the employees, and commissions, generally bi-partisan in character, were set up for its administration. Directed primarily towards the elimination of political considerations in public employment, increasing attention has been given in recent years to improving personnel techniques along scientific lines. During this entire period, an increasing population, higher standards, expansion in the functions and scope of government, and a notable growth in the extent of public employment were accepted as natural and normal phenomena. To attract and retain well-qualified workers for the growing business of government became the prime objective of civil service administration, a task not always easy in the face of the low prestige value which characterized public employment in many areas, the lack of career opportunities it afforded, and the greater attractiveness of private industry.

Gradually, during the past three years, the personnel agency has faced a new situation. In common with other administrative units, it suffers from reduced appropriations; the pressure under which it labors increases from all sides; it is overwhelmed with applicants for jobs but with expansion giv-

ing way to contraction, appointments decline, and problems of lay-off, reinstatement and demotion emerge as of prime importance.

In order to determine how, if at all, the policies and techniques of personnel administration have been affected by conditions of depression and retrenchment, contacts were made largely through personal visits during the summer of 1932, with some twenty-six civil service commissions, including most of those which, by general assent, are doing effective work.[1] In presenting current developments, and in indicating probable future trends, the items which appear most significant include: 1. The effect of retrenchment upon the scope and functions of the public personnel agency; 2. The administration of examinations during a period of widespread unemployment; 3. The modification of procedures with respect to lay-off, reinstatement and transfer; 4. The readjustment of salaries and wages; 5. The effect of the depression upon the merit system.

## THE PERSONNEL AGENCY AND THE DEPRESSION

### 1. Reduction of funds and staff

The services which the personnel agency renders necessarily depend in large part upon its financial resources. Especially during the past year, cuts in appropriations have been made, depending upon the degree of retrenchment in the particular jurisdiction, the attitude of the fiscal and legislative officials towards public personnel work, and the ability of the agency to resist special discrimination. The majority of civil service commissions have not suffered disproportionately through retrenchment, at least not up to the end of 1932; if the 1932 appropriations are generally below those of 1931 and 1930, the reduction is accounted for largely by general salary cuts. In states, where as yet retrenchment has been comparatively mild, the commissions were more liberally financed and more adequately staffed in 1932 than in 1928 or 1929.

In such cities as Baltimore, Buffalo, Chicago, Cincinnati, New York, Rochester and Syracuse, appropriations were reduced in 1932 but in every case the cut was either insignificant or else in proportion to the general retrenchment and involved no curtailment of the staff.

Cuts in appropriations to personnel agencies have been most severe in Duluth, Columbus, Dayton, Minneapolis, St. Paul, Seattle, Philadelphia and Detroit. The first three represent commissions with small staffs whose usefulness has been impaired through curtailment of appropriations averaging 40 per cent and including in each case the elimination of all clerical and stenographic help. Cuts in 1932 and a further reducton for 1933 have brought the appropriation for Minneapolis to 50 per cent of what it was in 1931. Three employees have been eliminated. A similar reduction has been made in Seattle, where most of the staff are on part-time.

In St. Paul, the public personnel agency is operating on a budget below that of 1918 and representing a 30 per cent decrease during the past three years, with a reduction of two in the staff employed. The Detroit Civil Service Commission continued to expend increasing sums up to 1931, but its appropriation has been drastically cut during the past two years, and some eight employees have been eliminated. In Philadelphia, too, the staff of the agency dropped from 37 to 32 between 1930 and 1932.

Many personnel agencies utilize, to

[1]The jurisdictions contacted included: federal government; California, Maryland, Massachusetts, New Jersey, New York, Ohio and Wisconsin; Milwaukee County; Baltimore, Buffalo, Chicago, Cincinnati, Cleveland, Columbus, Dayton, Detroit, Duluth, Milwaukee, Minneapolis, New York City, Rochester, St. Paul, Seattle, Syracuse and Toledo.

considerable degree, temporary employees and special examiners; this, together with recent and unrecorded changes, makes exact data regarding the financial and personnel resources of the agencies difficult to assemble but it would appear that while one-fourth of the agencies dealt with have suffered severely from reductions in their budget, another fourth have been able to expand during the retrenchment period, while approximately half of them have retained their staffs intact despite proportionate reductions in their appropriations. It ought to be noted that most personnel agencies have been burdened with added work during the depression, particularly in the administration of examinations, and have thus been able to present strong arguments against drastic reduction of appropriations.

**2. Consolidation of personnel activities**

An interesting experiment in personnel administration in Rochester, N. Y., has been abandoned, partly through retrenchment. The bureau of personnel, headed by a director under immediate control of the city manager, was established in 1930, not to displace the Civil Service Commission, with which it cooperated, but to devote special attention to classification and service ratings, and to handle a variety of personnel matters without the purview of the commission as then operating. The bureau expended some $7,000 in 1931 and was allotted $8,500 for 1932. In January, 1932, it was abolished, ostensibly as an economy measure but also because it was sponsored by the city manager, then under fire.

In the federal government, the movement long in process for the consolidation of personnel agencies has been given impetus by retrenchment. The Economy Act of July 1, 1932, specifically provided for the merger of the Personnel Classification Board with the Civil Service Commission. On October 1, the activities of the board, and part of its staff, were taken over by the newly created personnel division in the commission. Further changes, affecting the Employees Compensation Commission and the Bureau of Efficiency, seem probable if present plans for reorganization finally prevail.

**3. Relief programs**

In practically every city and in most states efforts have been made to alleviate unemployment through special work programs. Their administration has been usually turned over to the public welfare department rather than to the civil service commission. In Milwaukee, however, in 1930 the commission was assigned the task of recruiting emergency "ten-day" laborers from the unemployed, for relief purposes, and during the past three years the administration of this program has proved a major activity. Some 50,000 applicants have been examined, certified and assigned a minimum of ten days' employment. During the winter of 1930-31 the personnel agency in Duluth administered a similar program but early in 1931 this activity was transferred to the Tri-City Employment Stabilization Committee, a privately endowed organization, which combined in Duluth the recruitment of workers for both private and public industry. In Seattle the Civil Service Commission has recommended that the administration of the emergency work program be transferred to its control.

Discussion prevails as to whether such workers come within the proper scope of civil service administration or whether, in view of the objectives and principles involved, they should be left in control of the public welfare unit. With the future of such programs dubious, many cities abandoning them as the depression lengthens, it seems just as well that the public personnel agencies have, by and large, confined their

interests to the permanent classified employees.

RECRUITMENT

**1. The rise and decline of examinations**

Varying in their powers and functions, the public personnel agencies have been largely recording and service agencies, although enjoying certain control over classification, advancement and promotion, separations, reinstatement, transfers, leaves, and service ratings. The examination and certification of applicants for entrance and promotion has, however, overshadowed all other activities, and despite a trend in recent years in a few jurisdictions towards a broader personnel program, the task of the agencies remains primarily recruitment.

With some exceptions, until 1930, recruitment was carried on under conditions of increasing demand for workers, and of a moderately limited supply. But during the past three years the reverse is obviously true. Without any difficulty whatsoever, the personnel agencies can gather in almost unlimited numbers of well trained and qualified applicants. The primary difficulty is to examine them; the greater difficulty is to utilize the eligible lists which result.

During 1930 the number of testees, by and large, doubled as compared with 1928; in 1931, in most jurisdictions, it increased further. Nor does this tell the whole story. The number of applicants, and consequently the number of inquiries and complaints increased even more sharply; while increases of ten-fold and twenty-fold in the numbers examined for certain positions were frequent. Classes of ten and twenty thousand were not uncommon in large jurisdictions such as Chicago, New York and Philadelphia, while more than 58,000 took a stenographic test for the federal service in 1931. Well qualified applicants for the police force in Chicago were so scarce in 1929 that the Civil Service Commission had arbitrarily to raise the grades of all competitors to supply sufficient eligibles; two years later some 27,000 applications were filed, throwing upon the personnel agency an eighteen months' job of examination, grading and certification.

While the volume of examinations continues at high peak in many jurisdictions, it has gradually declined in others to the point of complete suspension. The situation as it existed during the latter months of 1932 was thus extremely varied. Detroit has held no tests whatsoever since September, 1931, and held few in the preceding year. Since the passage of the Economy Act in July, 1932, as well as for some months prior thereto, recruitment by open competition in the federal service has been confined to a few highly specialized positions. Dayton, Duluth, Syracuse and Toledo held few tests during 1932, while in Buffalo, Minneapolis, Rochester, Seattle, and New York State the number of tests held and testees examined has declined considerably during recent months, with prospects of further curtailment during 1933. In New Jersey, examinations for the state service have been suspended, and have sharply declined in the county and municipal services. Elsewhere, however, as in California, Ohio, Wisconsin, Baltimore, Chicago, Cincinnati, New York City and St. Paul, the volume of examination work remains high. In some cases, special factors, in addition to widespread unemployment, explain the situation. Promotion tests, where given, attract unusual numbers of applicants; extra tests have been held in Chicago since 1931 to fill cancelled lists; new positions have been created in Cleveland; and California has endeavored to replace many temporary employees.

Nevertheless, despite the continuance of recruitment at high levels, here and there, the general trend is clearly towards a decline, as vacancies grow fewer, existing eligible lists are extended,

the expense of holding open tests becomes prohibitive and reinstatement and transfer opportunities are widened. Perhaps the new point of view was expressed in the statement of a personnel administrator: "If we have too many applicants, we shall have to cancel the tests."

**2. Change in standards and programs**

The burden of handling an added number of applicants has served to modify standards and procedures in several instances. With the problem of attracting high grade material solving itself, there has been some tendency towards raising age, educational, physical and other prerequisites so that greater numbers might be eliminated at the application stage of the test. Maryland, Massachusetts, Cincinnati, and Minneapolis, among others, have raised educational qualifications for some positions; Chicago and Columbus have lowered maximum age requirements for the police service; several cities have tightened physical requirements for this and other branches of employment.

In the interests of economy, the short-answer test has been more extensively employed, many trade tests have been eliminated because of the expense involved, and wide use of oral interviews has been discouraged. Tests have been abbreviated in some instances to facilitate their prompt grading where large numbers are examined. New York State has combined an elimination test with a more comprehensive test for some positions; both are given together, but failures in the elimination are not graded further. There has been a prevailing tendency towards making tests more difficult, or in raising the passing grade, so that the number of successful testees will be kept down. Another economy, adopted, for instance, in the federal service, has been to limit character investigations to probable appointees rather than to include all competitors. In several jurisdictions consideration has been given to reducing the number of physical examinations and even to charging fees for such tests, but no action is evident as yet in this regard.

Localism, so frequently condemned by students of public personnel administration, has been strengthened by retrenchment. In a few cases residence rules have been made more severe, as in Milwaukee, where a five-year rule was imposed in recruiting to certain positions; more generally there has been a stricter enforcement of existing residence requirements for continued employment as well as appointment. In Dayton, Philadelphia, Minneapolis and elsewhere non-resident employees have been compelled to move back into the city or have been dismissed. In the state services, too, the waiver of residence as a prerequisite is much less frequent and criticism of non-resident appointments more severe.

The recognition of family or marital status, a principle familiar to private industry, is assumed to be contrary to existing civil service laws and finds scanty recognition in public employment. Nevertheless, a strong body of public opinion, often finding voice in city councils and legislatures, apparently favors it. In Massachusetts, by legislative enactment, married men are preferred for labor positions, though not in the official or classified services. In reinstatement, workers with dependents are preferred in New Jersey. In Milwaukee, preference has been extended to married men with dependents in a few cases, even in the classified service. The Economy Act of July, 1932, discriminates against the employment of married couples in the same unit in the federal service. Should retrenchment in government continue, one may look for more widespread recognition of family status in all public employment procedures.

In those jurisdictions where recruit-

ment has been virtually suspended, personnel work is sharply affected. Holding no tests, and with appropriations and staffs curtailed, many commissions are largely inactive. Others have shifted the emphasis of their work. The agency in Detroit has been concerned with such matters as classification and service ratings. The federal commission has been active in informatory and advisory functions, in investigations, enforcement of provisions of the Economy Act, and in working out transfer and reinstatement procedures. Several agencies, including those in New Jersey, Maryland, Duluth and Cincinnati, have interested themselves in salary studies, or in classification, as in New Yort State, where five examiners have been so engaged.

Perhaps the most significant single observation with respect to recruitment is that the majority of commissions, even where retrenchment policies have been adopted, continue to hold many open competitive tests and devote their major energies to this activity. In retrospect, a vast amount of this examination work, resulting as it has largely in unused eligible lists, appears to have been a waste of time and funds. It would be unfair to criticize personnel administrators for following the law and procedure laid down for them or for failing to foresee, in 1929, 1930, and 1931, that contraction of the service was coming. But now it should be more clearly recognized that the needs of the service will be slight during the next few years, and that in the face of declining numbers of appointments and increasing numbers of applicants, including a growing number of former employees seeking reinstatement, the old recruitment procedures may have to be overhauled, unless public personnel agencies wish to merit the criticism of extravagance and inefficiency.

Certainly the recruitment process as now carried on in many jurisdictions is not conducive to enthusiasm over its economy or effectiveness. Here, in a relatively small city, the administration has declared for severe retrenchment, including the leaving of vacancies unfilled. Following this, the Civil Service Commission, through custom or because of the legal expiration of existing eligible lists, orders an open competitive test for firemen. Two thousand young men eagerly storm the examination rooms and after months of clerical work an eligible list results. The chances are remote that few, if any, appointments will be made from the list during the following year or two, while these appointments could well be made from existing eligible lists, or through reinstatement or transfer. The principle of open competition triumphs but only at a tremendous expenditure of time, energy and funds.

It is of course highly improbable that the contraction of the service which most jurisdictions are now experiencing, and which is likely to occur in others, will permanently continue. Sooner or later, certainly in the more essential services such as fire, police, and health, the stream of recruitment, now so sluggish, must again move with vitality. But public personnel administrators must expect to face a period of several years during which additions to the public service will be discouraged, and a much longer period during which widespread unemployment will complicate the normal recruitment procedure. Under such circumstances, the holding of open competitive tests, with only mild prerequisites imposed, and with eligible lists expiring after a brief interval, deserves critical re-analysis and the possibilities of a more economical and less wasteful method of filling vacancies demand consideration.

### THE PROBLEM OF LAY-OFF

#### 1. Scope of lay-off

The "economy" separation of large numbers of civil servants whose tenure

had been thought secure emerges as highly significant. Although retrenchment is of recent origin in most jurisdictions, and while actual separation has generally been resorted to only after all other avenues of economy have been explored, the number of lay-offs, abolitions of positions, and "permanent furloughs" already reaches substantial totals and threatens to increase sharply during the coming year. The figures fluctuate rapidly, but it appears that some 4 per cent of the classified service have been so separated during the past two years. The extent of lay-off in each jurisdiction varies, on the whole, with the financial situation and the degree of general retrenchment adopted. Thus it is less in the states than in the cities. Maryland and Wisconsin report few additional lay-offs, while in other states, the number of employees separated hardly reaches 2 per cent. But in Detroit some 3,000 out of a total of 14,000 employees have been separated since retrenchment began in 1930; in Philadelphia even more have been laid off. Columbus, Dayton and Toledo represent smaller cities where retrenchment has cut deep; more than 400 employees have been separated during the past two years in each city, representing a 20 per cent reduction in the force. In Chicago, New York, Cincinnati, Cleveland, Minneapolis, St. Paul and Seattle the last available figures showed upwards of 5 per cent of the employees eliminated because of economy, with further lay-offs probable. A few cities, such as Baltimore and Boston, have so far escaped severe reductions. While the federal government has labored to prevent complete separation by intensive use of furloughs, the force has been cut some 15,000, or 2½ per cent during the past year, nearly one-half of this number being accounted for through compulsory retirements.

Economy separations have occurred among all groups, but the bulk have fallen on those engaged in construction and related activities, such as skilled labor, engineering, inspectional and architectural services. The clerical groups have been moderately affected and the police and fire forces hardly at all. Where no lay-offs have taken place, the force has been reduced, nevertheless, by the widespread policy of leaving unfilled vacancies which arise through death, retirement, resignation, dismissal or promotion.

The public personnel agency cannot, of course, prevent economy separations. They arise from legislative action reducing appropriations or abolishing particular positions. But governed as they are by civil service laws and rules, it is in the civil service commission that controversies center and new procedures are evolved. In the past lay-off has been common among the labor and seasonal services but rare among classified employees, save in such exceptional circumstances as the post-war deflation in the federal service. Under present circumstances lay-off rules become vastly more important and command closer analysis.

**2. Lay-off rules; seniority**

In at least four states (Massachusetts, New Jersey, New York and Ohio) the basic civil service laws lay down principles or limitations governing lay-off; elsewhere the procedure is left entirely to the rule-making power, subject always to the implied restrictions of the law, which as interpreted by the courts and by legal officers are frequently severe.

The order of lay-off is of basic importance in the rules. What criteria shall be utilized in selecting the employees to be separated? A number of considerations are given weight, either singly or in combination: seniority, efficiency, war-veteran status, pension eligibility, marital or family status, place on original eligibility list and discretion of appointing officer.

Seniority is by far the most important consideration. Of twenty-six jurisdictions, only three (Ohio, Duluth and California) neither require nor authorize seniority for at least part of the service or to some degree, and even here it is not overlooked in practice. The rules in Maryland, Minneapolis and New Jersey authorize seniority in the absence of satisfactory service ratings. Seniority governs lay-off in the police and fire services in Cincinnati and Philadelphia. In the federal government it controls lay-off in some branches and is given weight in all. Elsewhere (in seventeen jurisdictions, seniority is the sole criterion for the entire service.

Provisions regarding seniority are frequently ambiguous and demand interpretation. Shall seniority, for instance, be reckoned as within the grade employed or within the total service of the jurisdiction? Custom and opinion vary. Ordinarily it is reckoned from the last appointment, or within the grade; but in the federal service, in the New York jurisdictions, at least in many cases, and in a few other areas, seniority dates from original entrance into the service; while in Detroit it includes service in the same series of grades.

**3. Efficiency and lay-off**

Next to seniority, efficiency is most commonly recognized in lay-off rules and procedure. An Ohio statute which established the principle of efficiency was repealed in 1931 but the commission has endeavored to enforce the provision by rule in lay-off. Since, however, no service ratings are utilized, the order of separation is left pretty much to the discretion of the appointing officer. Duluth recognizes efficiency as the sole criterion, and in the lay-offs which have occurred there Probst service ratings have been utilized. Economy separations in the California state service have likewise followed the efficiency rule but the opposition to this method appears so strong among the older employees that the commission is contemplating amending the rules to allow a limited weight, not more than 25 per cent on a scale of 100 per cent, to seniority. Until 1931 the Seattle rules required lay-off to be determined by efficiency except in the traction service, but during the present period this principle has been abandoned, and seniority utilized in the entire force.

Except in the police and fire services, where seniority is required by state law, economy separations in Cincinnati have been on the basis of efficiency as determined by service ratings but here again opposition has appeared and the rule may be changed to recognize length of service. The Minneapolis rules allow efficiency to determine lay-off where satisfactory service ratings are used, but inasmuch as no ratings exist, seniority determines. Similarly in New Jersey an option is permitted between seniority and efficiency, although where efficiency ratings are utilized, seniority is given a maximum weight of fifteen points on a scale of one hundred. Where satisfactory ratings have existed, lay-offs have been on this basis, but seniority has proved the more important factor.

The Maryland regulations provide for three optional methods of determining order of lay-off: seniority; efficiency; and discretion of the appointing officers. The personnel agency is given freedom to determine which method shall be used in each particular case. The basis of lay-off in the federal departmental service is efficiency as determined by ratings, with as much as 25 per cent allowed for seniority, and 3 per cent allowed for dependency. The complaint, heard in past years, continues that the seniority allowance, together with veteran preference, practically nullifies the rule of efficiency.

It is quite apparent that the number of jurisdictions which authorize the efficiency rule in lay-off is small and the

number where it is actually utilized is even smaller. The trend seems plainly away from efficiency towards seniority. The fact is, of course, that despite important experimental work done in recent years with service ratings, only a handful of jurisdictions have utilized, over a long enough period of time, efficiency ratings which are sufficiently satisfactory to the employees, appointing officers, and personnel agency to be used in such a vital procedure as lay-off.

#### 4. Veteran preference in retention

In a few jurisdictions veteran preference complicates the lay-off procedure. The federal government appears to be the only jurisdiction which by statute grants retention preference to all veterans. No disabled veterans whose service record is satisfactory (80 per cent) is laid off before non-disabled veterans in the same grade and division and no non-disabled veteran before a non-veteran. In practice, it appears that the provisions regarding service records are largely ignored.

More generally, veteran preference extends only to "appointment" or "employment" and is held to end with original entrance. In New York State, however, the attorney-general has held that preference in appointment implies preference in retention, and that the constitutional provisions (applying only to disabled veterans) require that such employees be retained, until all others in the same division and grade have been separated. Similarly, in the state of Washington, the Supreme Court held, in 1931, that the preference statute implied retention privileges. As a result the city of Seattle altered its lay-off rule to put the veterans in a privileged class. Incidentally, the Washington legislature has abolished all veteran preferences in public employment, not effective, however, until 1937.

#### 5. Discrimination against married women workers

As noted above in connection with recruitment, the depression has brought about considerable agitation for the recognition of marital and family status in public employment procedures. The dependentless married woman has been singled out for particular criticism. Efforts to eliminate this group have long prevailed in the public school systems. But during the past two years the legislatures in Ohio, Wisconsin and New Jersey and the city councils of Minneapolis, Philadelphia, Dayton and other localities have passed resolutions directed against the further employment or favoring the prior elimination of this group from the civil service. Questions of legality have prevented such discrimination from going much beyond the agitation stage. In Philadelphia, for instance, an ordinance was proposed which would eliminate all married women earning more than $1,000 from city employment but it was declared illegal by the city attorney. The rules in the federal service have for some years given a very limited recognition to dependency in making up separation ratings (a maximum of 3 per cent in a scale of 100 per cent). More recently, the Economy Act of July, 1932, requires priority of separation to one of a married couple employed in the same unit. This provision has given the Civil Service Commission considerable trouble in investigation and enforcement. In some jurisdictions extra-legal methods have been used to eliminate the married women, as in Syracuse, where a score of such employees were persuaded to take a year's leave of absence as an alternative to threatened abolition of their jobs.

To recognize marital or family status in lay-off or any other employment procedure means, of course, a profound alteration in the merit system as traditionally understood, and raises legal,

administrative, and even moral issues of the first moment. Nevertheless, such a vocal body of opinion appears to favor such recognition, especially under present economic conditions, that it cannot be ignored for future consideration.

**6. Eliminating the superannuated**

Reductions in the force have also brought sharply to the fore inadequacies in existing retirement laws. That aged employees, past their highest degree of usefulness, and eligible for pensions, should be among the first groups separated when retrenchment becomes necessary appeals to many as a sound policy. But pension laws are frequently weak in provisions for compulsory retirement. In many cities it has been found virtually impossible to eliminate employees long past the optional retirement age. In New York City a provision that workers past 70 be pensioned off was defeated. In Philadelphia, after considerable controversy, employees past 65, in certain departments, were compulsorily retired as part of the retrenchment program in 1931-32, while some past 60 were reduced in grade and pay. New Jersey has eliminated the few employees in the state service past 70. The Economy Act in the federal government provided for the compulsory retirement of all employees past 70, except those granted extensions by the President prior to the passage of the act. As a result some 5,000 aged workers have been separated. In every jurisdiction efficiency and social policy would seem to dictate priority of separation for such groups, but this is easier said than done.

**7. New rules and policies**

Among the modifications of existing lay-off procedures, a rule proposed in St. Paul in the summer of 1932, is interesting. This groups the city employees into seven classes: provisional appointees; pension eligibles; married women with husbands employed in government service; married women with husbands employed in any capacity; probationers; employees with less than two years' service; all others. The order of lay-off is by class and department, and by groups in the order named, and within each group according to service rating. While not adopted, this rule is significant in the new ground it breaks and for the interesting combination of seniority, efficiency, marital status, pension status, and other principles.

Despite the emergence of newer considerations in lay-off, seniority seems well established as the prevailing rule. Regardless of the obvious objections to it, it has gained rather than lost favor during the past three years. It seems probable that the great majorty of economy separations will continue to be on this basis.

**8. The area of lay-off**

Closely related to the order of lay-off, indeed part of it, is the problem of defining the organization unit from which the person to be laid off shall be selected. This may be called the area of lay-off. To illustrate, if the appropriation for the budget division of the finance department in a city is cut so that five junior clerks must be laid off, and seniority within the grade is the rule, should the five junior clerks with the least seniority in the division be separated, or the five in the department, or the five in the entire city service? So far as rules are concerned, some jurisdictions designate the department as a unit for lay-off, others name both the department and some smaller unit such as a bureau or division, while still others ignore this phase of lay-off or have rules which are ambiguous.

In Chicago the rule of the commission that lay-offs should be by departments has been challenged by the employees. They insist that a true interpretation of the principle of seniority requires such separation to be administered on a city-wide basis, so that, for

instance, if a department has to eliminate a senior clerk, the lay-off should fall on the senior clerk with the lowest seniority in the entire city service, with inter-departmental transfers being made, if necessary. Legal and judicial officers have accepted this view. If this opinion prevails, Chicago will be forced to make future lay-offs on such basis.

This is exceptional. Although practice varies, even within jurisdictions, the general rule is to limit the movement of personnel resulting from a lay-off to the major organization unit, commonly the department; the more common dispute is whether this or some smaller unit should be utilized. In Buffalo, for instance, where the department is the area, some administrative officers complain that a smaller unit should be used, to avoid transfers between bureaus or divisions. In New York the attorney-general has held that under the statute which controls lay-offs both in the state and municipal services, any organization unit which is "well recognized," in the budget or elsewhere, as a separate administrative organization, shall constitute the area of separation; this definition includes not only the major departments but many smaller units as well. Cleveland, Columbus, and Philadelphia are other jurisdictions where the effects of some economy separations have been confined to small organization units. In the state and federal services, geographical difficulties often necessitate that each field establishment constitute an area for purposes of lay-off.

The issue involves a conflict between employees, especially older workers in jurisdictions where seniority governs, who wish to protect their tenure, and administrators who insist that inter-departmental or even intra-departmental transfers make for inefficiency. Particularly in the higher grades, it is claimed, positions become so highly departmentalized that transfers, even within the same grade, are confusing and necessitate extensive re-training. There is much to be said on both sides, but if economy separations are to be numerous, the demands of efficient operation seem to require a recognition that the unity of the service which the classification scheme assumes is partly fictional, and that each major organization unit, commonly the department, should constitute the area lay-off.

**9. Lay-off and general demotion**

The incidence of lay-off may be changed through a series of demotions. For instance, where the job of head clerk in a department has been abolished, instead of laying off the head clerk of lowest seniority in the department, which would be the usual procedure, the head clerk of lowest seniority, and one employee of lowest seniority in each lower grade, could all be demoted, with the junior clerk of lowest seniority being laid off. The same amount of money would be saved by such procedure, and the principle of seniority extended. Such demotion is required by law in Ohio cities when higher positions in the fire and police departments of cities are abolished. Such a rule was urged by the employees in Chicago, but rejected by the Civil Service Commission because it involved an unnecessarily large distribution of the burden of one lay-off. Detroit has accomplished large numbers of demotions predicated on this method, while other cities have utilized the practice to some extent.

## LIBERALIZING REINSTATEMENT PROCEDURE

Closely related to the problem of lay-off is that of reëmployment of separated employees. Civil service rules invariably provide for preference to laid-off employees in filling vacancies, but such preference has generally been limited to the class and grade in which employed at the time of separation, or at best, as in New York, Wisconsin and New Jersey, to "similar," "allied," or

"appropriate" classes. In Cleveland special preference to former employees extends only to the department of last employment, while California, Cincinnati, Columbus, Dayton, Duluth, and Minneapolis are among the jurisdictions which give added preference in such department. Reinstatement procedure, on the whole, has looked more to preventing the circumvention of open competition than to insuring reëmployment to laid-off employees. Nevertheless, in the past, in view of the expansion of the services, the procedure has been sufficiently liberal to permit the reinstatement, without long delay, of most of those laid off.

But with many separations, few appointments and hardly any resignations, the pressure for reinstatement grows. While the rules remain rigid in most cases, a few jurisdictions have taken steps to widen the privileges of reëmployment for the separated workers. In the federal service, ever since the problem emerged in post-war years, and more particularly during the current period of retrenchment, procedure has looked more and more to utilizing laid-off or furloughed employees, and those about to be so dealt with, in filling all vacancies for which they appear to possess the required qualifications, subject to qualifying, non-competitive tests. An executive order of September 30, 1932, directs the Civil Service Commission to work out further procedure which shall guarantee priority to former employees in filling vacancies, and while the entire program of the commisson along this line has been obstructed by the virtual suspension of appointments under the recent Economy Act, it seems probable that during the next few years separated employees will be looked upon as a principal source of recruitment, without too much regard for class and grade limitations, and that open competition will be used only as a last resort.

The New Jersey procedure has moved in the same direction during the past two years. Open competition has been curtailed and many separated or furloughed employees reëmployed in positions for which they appear qualified. Likewise in the New York jurisdictions, where the law permits preference not only in the position in which formerly employed, but for "any corresponding or similar position," the civil service commissions have been active in drawing up allied lists for reinstatement purposes, although it must be admitted that the contraction of the forces has made it extremely difficult to utilize such lists.

An amendment to the rules in Detroit in 1931, permits the commission to certify from allied reëmployment lists, as a "temporary expedient" and defines allied lists as covering such positions "as by their nature and official descriptions embrace duties sufficiently similar to the duties for which requisition is made as to warrant expectation of ability to fill the position so requisitioned." This has permitted the reëmployment of many separated workers who under the usual provisions would enjoy fewer opportunities.

Chicago amended the reinstatement rules late in 1931 to permit reinstatement, not merely in the class and grade held at the time of separation but in any class or grade formerly employed. This allows, for instance, a principal clerk, at his option, to go on the reinstatement lists for the lower clerical positions, so that the possibilities of his reëmployment may be extended. Numerous employees have taken advantage of this opportunity.

### TRANSFER AS AN ALTERNATIVE TO LAY-OFF

Some of the jurisdictions which have widened reinstatement privileges have also liberalized transfer procedure so that employees superfluous or about to be separated in one department or grade may be moved where needed. Civil

service laws and rules have quite generally limited transfer rather severely to the grade in which employed, and have required the approval of the two appointing officers involved, as well as that of the civil service commission. Transfer has often been discouraged, as a device which creates administrative confusion, avoids competition, or secures promotion or advancement indirectly. It has seldom been looked upon as a method of moving workers otherwise separated; indeed, the rules in several jurisdictions expressly forbid transfer as an alternative to lay-off. But under present conditions there has been a movement in this direction.

Before the current period of retrenchment, the desirability of a more liberal transfer procedure became recognized in the federal service. Late in 1931 the Civil Service Commission, in conjunction with the Council on Personnel Administration, worked out procedures whereby employees were kept informed of existing opportunities in the service and encouraged to transfer, subject to non-competitive tests, while appointing officers were urged to fill vacancies through transfer or reinstatement rather than resorting to regular eligible lists or requesting open competition.

The primary purpose of liberalizing the procedure was to improve morale and efficiency and to extend the opportunities for a career in the service, but as retrenchment began in 1931-32 transfer came to be looked upon as a method whereby workers in danger of separation might locate other positions. These procedures have been temporarily abandoned since, under the Economy Act requiring vacancies to remain unfilled, appointing officers hesitate to approve transfers out of their divisions; but the commission is dedicated to utilizing transfer as a primary source of recruitment and future policy will undoubtedly lie in that direction.

In New Jersey, where the law has been more liberal than elsewhere in allowing transfers from one grade to another for temporary periods as a measure of economy, developments have moved along similar lines. The secretary of the Civil Service Commission is reported as saying:

> The holding of new tests should be almost completely discontinued. The question immediately before us is not one of bringing new people into the service but of finding places for the present members of the permanent establishment. In such reductions as must be made, our first step should be to place, by assignment and transfer, surplus workers of one division in other divisions where their services can be used.[2]

A 1931 amendment to the rules in Detroit, provides for "loan transfers" during periods of emergencies, allowing movement of personnel from one position to another. During the past eighteen months a considerable number of such transfers have been made, involving persons who in most cases would otherwise have been separated.

Subject to laws, rules, opinions of counsel and the threat of litigation, limited by elaborate classification schemes, and often thwarted by "departmentalism," most civil service commissions cling to rigid reinstatement and transfer procedures evolved during periods of expansion. But the trend is plainly towards liberalization of these procedures, with a recognition of special obligations to the separated employees and those about to be separated, and the more effective utilization of these groups as the most important source of supply in filling vacancies.

This development, which is paralleled in private industry, is highly significant. It meets the approval of those who maintain that every employer has a special duty to provide, so far as humanly possible, continuance of employment to

[2] *The State Employee* (Albany, N. Y.) July, 1932, p. 5.

his workers during a period of depression. It means that the morale of public employees, badly shaken through economy separations and other effects of retrenchment, is greatly improved. At the same time the training and experience of the employees, often valueless outside the civil service, is conserved and utilized.

On the other hand, greatly widening reinstatement and transfer procedures to provide continuance of employment in some capacity has obvious disadvantages. Employees who might well be eliminated in the interests of efficiency are protected in their tenure, while the service is deprived of younger, fresher, and oftentimes better qualified applicants from "the outside."

An able student of public personnel administration, commenting on the liberalization of reëmployment procedure which had taken place in the federal service even before the current period, sums up the pro and con of it when he writes:

> There are two opposite aspects of this general device of a reëmployment register. The beneficial side is the fact that the government has assumed responsibility for continuity of employment and has replaced haphazard practices by more systematized methods of aiding those laid off . . . . The less advantageous side . . . . is the fact that by giving a priority to the worker laid off which constitutes almost a lien on the federal service, it has become less easy for the government to rid itself in an indirect way of employees whose competence has long been a matter of question. To some degree, therefore, the reëmployment register may harbor the flotsam and jetsam of the least desirable element of the federal service.[3]

If proper safeguards are thrown around the administration of a liberal reinstatement and transfer policy, so that the preference to the employee does not go beyond the point where administrative efficiency is seriously injured, its advantages would seem to outweigh its disadvantages. At least during a period of widespread distress public personnel policy might well be based on such preferences. Incidentally, the burden of work under which civil service commissions are now laboring, with the examination of thousands of applicants in open competition, would be appreciably lessened by making the workers and ex-workers the primary area of recruitment.

### THE ADJUSTMENT OF SALARIES

The fixing of salaries is primarily a legislative and fiscal problem in which the rôle of the civil service commission is usually confined to suggestion, advice and information. No alert public personnel administrator can, however, avoid the problem. Particularly the methods by which the necessary adjustments should be made challenge interest and attention.

Since 1930 all the jurisdictions investigated have reduced the incomes of large groups of their employees. Direct cuts, through legislative or council action, have been made in New Jersey, Ohio, Buffalo, Chicago, Dayton, Duluth, Minneapolis, and elsewhere, while in Baltimore, Boston, Rochester, Syracuse and other areas "voluntary" contributions or some other indirect method of reduction has been employed, although the tendency is to supersede the indirect with the direct method. The contributory or similar plan has been predicated upon the assumption of an early return to pre-existing standards with the conviction that old levels can be more readily restored if existing salary schedules remain legally unaltered. The desire to keep existing pension contributions and benefits at prevalent rates, based as they generally are on salaries received, together with the questionable lack of power of municipalities

[3] *A Personnel Program for the Federal Civil Service.* Herman Feldman (1931).

in certain states to reduce salaries, also explain the use of the indirect method.

Detroit has instituted the five-day week for practically all city employees as an alternative to further direct wage cuts or lay-offs, while the "furlough system" enforcing a minimum of 28 days loss of work and pay, has been adopted in the federal service. Generalizations as to the extent of salary cuts are difficult. They vary from the loss of a week's pay to general reductions of 25 per cent and special reductions as deep as 60 per cent. The usual cut is, perhaps, 10 per cent. But in every jurisdiction some employees have been reduced further through staggering of employment or some other reduction in working time, or by the abolition or curtailment of paid vacations. In addition, practically all salary increases, including in many instances so-called automatic increases within grade, have been suspended.

Chicago and Columbus represent a minority of jurisdictions which have applied uniform reductions to practically all workers; other jurisdictions have accepted, to some degree, the principle of progressive graduation of reductions.

Salary cuts in nearly every case have been made in haste and without any thorough study of the issues involved or any attempt to eradicate existing inequalities in the process of adjustment. Nearly everywhere the salary problem awaits final solution. A starting point in working out a new policy ought to be a recognition that new standards and changed price-levels require something more orderly and equitable than makeshift salary cuts. This means the eventual elimination of voluntary contributions and other plans based on temporary reductions; it means, more importantly, the restoration of regular salary increases, especially within grade, and the readoption of a normal vacation policy.

Without touching on the present adequacy of public salaries, or the extent to which they should be reduced, three developments in particular seem worth special mention in the present shifting situation. One is the St. Paul plan of reducing or increasing salaries automatically and periodically in accordance with changes in the cost of living as shown by official figures. This plan is not a product of the depression; it was instituted in 1922. Suspended after opposition in 1931, it was restored in 1932 and appears to have survived its real test, that of standing up under decreases as well as increases. Particularly at the present time, with future price levels highly uncertain, the plan, as a feature of a permanent salary policy, deserves more consideration than it has yet received.[4]

In New Jersey, the family differential, a principle familiar to European practice but rarely employed in this country, has been adopted to a slight degree. The statutory salary reduction in that state applies nominally to all employees but heads of families receiving less than $1,800 are exempt from any reductions while those receiving $1,800 to $2,400 suffer a smaller reduction than employees without dependents. Such a principle departs sharply from that of "equal pay for equal work" but under conditions of widespread social distress challenges attention.

Governments may well find it desirable to take the lead in a more general curtailment of the hours and days of labor. Here the experiment of Detroit with the five-day week is valuable. The shorter working week or day, or both, seems much more feasible in the civil service than "staggering," which, though used successfully in the labor, engineering and similar services in many jurisdictions, seems ill-suited to professional,

[4] See National Municipal Review, October, 1932, pp. 589-91, Carl P. Herbert, "St. Paul's Fair Wage Plan."

scientific and clerical employment. The furlough system in the federal service has involved so many difficulties and inequalities in enforcement, due partly to lack of uniformity in administration, that it can hardly be called a success.

### THE MERIT SYSTEM DURING RETRENCHMENT

How, the friend of efficient administration may well ask, has the merit system stood up under conditions of retrenchment? The answer is that it has received further battering. In Cleveland, for instance, if press accounts, the comments of informed students, and personal observations are trustworthy, it appears that since the new administration came into power in 1931 a concerted attack has been made upon the merit system and the Civil Service Commission. The difficulties involved in machine-government when, as during a depression, the demand for patronage far exceeds the supply, help to explain the situation. While the commission is not free from criticism, it appears that the administration has been active in abolishing and re-classifying positions, to be filled with provisional patronage employees; in throwing the burden of retrenchment largely upon the classified employees; and in attacking the activities and appropriations of the commission.

In Columbus, jobs held by classified employees were abolished and later recreated under new titles, to be filled by provisional appointees; a number of employees were asked to resign, pending a reorganization, but found their jobs filled through patronage; other examples of discrimination, leading to considerable litigation and involving antagonism between the mayor and the Civil Service Commission, were evident. In St. Paul and Minneapolis the heavy cuts in appropriations for the civil service commissions were said to be due in part to the hostility of certain councilmen to the merit system and to effective personnel administration.

Since security of tenure has been a prime objective of civil service laws, the relation of the merit system to lay-off is especially interesting. Ideally, the reduction of forces should fall on the "temporary," "provisional," unclassified and non-competitive groups who owe their appointment to patronage rather than competition. Practically, of course, nothing of the sort happens. Although lay-off rules generally provide, expressly or impliedly, for priority in separation to provisional and temporary appointees, abuses of the merit system flourish with little or no abatement. Of 1,145 positions abolished in New York City in 1931, all were in the competitive class.[5] It is not easy, of course, to discriminate between political and non-political appointees, but if half the reports one hears are true, in more than a few jurisdictions the main burden of lay-off has fallen on the "merit" employees.

It is greatly to be lamented that the present period has found the civil service reform movement only meagerly supported, and that in the current discussions of retrenchment slight attention has been given to the possibilities inherent in a vigorous enforcement and extension of the merit system. The time seems ripe for the revitalizing of civil service reform as a means of sound economy.

### CONCLUSION

The adjustment of public personnel administration to the conditions under which it seems destined to labor for the next few years is far from complete. An observer is struck by the new policies, emphases, principles and methods which emerge under conditions of contraction, economy and unemployment; but is also impressed by the hesitant

[5] Report of the New York State Civil Service Commission for 1931, p. 63.

recognition of new conditions and the adherence to practices already outworn. If public personnel administration is to survive the attacks of its many critics, it seems necessary to recast its objectives and procedures. Particularly does it seem desirable to revise the methods of recruitment in the interests of economy and efficiency, and to devote major energies towards perfecting procedures for the reduction and re-allocation of the forces, to making constructive contributions to the salary problem, and to other matters which demand attention, so that retrenchment in government may be more equitably achieved.